

MINUTES

**MONTANA SENATE
58th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON EDUCATION AND CULTURAL RESOURCES

Call to Order: By **CHAIRMAN BILL GLASER**, on March 12, 2003 at
3:00 P.M., in Room 317-C Capitol.

ROLL CALL

Members Present:

Sen. Bill Glaser, Chairman (R)
Sen. Bob Story Jr., Vice Chairman (R)
Sen. Jerry W. Black (R)
Sen. Edward Butcher (R)
Sen. Mike Cooney (D)
Sen. Jim Elliott (D)
Sen. Royal Johnson (R)
Sen. Don Ryan (D)
Sen. Tom Zook (R)

Members Excused: Sen. Jeff Mangan (D)

Members Absent: None.

Staff Present: Tari Elam, Committee Secretary
Connie Erickson, Legislative Branch

Please Note. These are summary minutes. Testimony and discussion
are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: HB 302, 3/6/2003
Executive Action:

HEARING ON HB 302

Sponsor: REPRESENTATIVE DAVE LEWIS

Proponents: Carl Ohs, Lieutenant Governor, Montana
Angela Huschka, Deputy Insurance Commissioner,
State Auditor's Office, Department of Insurance
Tom Bilodeau, Director of Research & Bargaining,
MEA-MFT
Tom Clinch, CEO, Montana School Services
Foundation
Dick Cameron, Superintendent, Glendive Public
Schools
Madalyn Quinlan, Chief of Staff, State
Superintendent of Public Instruction
Darrell Rud, Executive Director, School
Administrators of Montana (SAM)
Mary Bryson, Trustee, Montana City School
District #27
Larry Neilsen, Helena Education Association
Lance Melton, Executive Director, Montana School
Boards Association (MTSBA)
Dave Puyear, Executive Director, Montana Rural
Education Association (MREA)
Tanya Ask, Blue Cross/Blue Shield of Montana
Jim Edwards, Western States Insurance, Montana
Schools Health & Welfare Plan (MSHWP), *in absentia*

Opponents: Marta York, Chairwoman, Insurance Committee,
Missoula County Public Schools
Joe Potter, Board Member, Insurance Committee,
Missoula County Public Schools
Peggy Andersen, Superintendent, Frenchtown School
District #14
Evan Jordan, Trustee, Frenchtown Schools
Julie Lake, Trustee, Frenchtown Schools
Gary Griffith, Trustee, Monforton School District
Alan J. Hall, Employee Benefit Management
Services, Inc. (EBMS)
Dirk Visser, President & CEO, Intermountain
Administrators
George Estell, Employee Benefit Management
Services, Inc.
Roger Cowan, Intermountain Administrators

Informational Witnesses: John Jones, Executive Director, Managed Care, Deaconess Billings Clinic

Opening Statement by Sponsor:

{Tape: 1; Side: A; Approx. Time Counter: 1.2 - 5.3}

REPRESENTATIVE GARY LEWIS, HD 55, Helena, brought forward a bill which generally revises K-12 employee health benefits by creating a statewide public school risk pool and health benefit plan. He stated the reason the bill is before the body is because one of the major crises facing this country is how to pay for healthcare. **REP. LEWIS** explained the bill mandates a statewide pool which will be governed by a committee appointed by the governor. The main objective is to take the approximately \$150 million available statewide and purchase the best possible health insurance package for public school employees. A pool with nearly 16,000 members allocates risk more effectively and efficiently than can be accomplished with much smaller pools. Additionally, the ability to negotiate with providers across the state is heightened and administrative costs are reduced substantially. He emphasized the importance of the legislation.

Proponents' Testimony:

{Tape: 1; Side: A; Approx. Time Counter: 5.5 - 31.5}

{Tape: 1; Side: B; Approx. Time Counter: 1.6 - 32}

{Tape: 2; Side: A; Approx. Time Counter: 0.3 - 23.5}

Carl Ohs, Lieutenant Governor, expressed his appreciation to **REP. LEWIS** for bringing **HB 302** forward. **Lt. Gov. Ohs** believes this bill demonstrates a true spirit of cooperation between various interests. He stated this bill ensures access to healthcare for many Montanans, while protecting districts against unfunded mandates. He briefly outlined various aspects of the bill, and noted the support of the Governor's office arises because the bill is simply good policy.

Angela Huschka, Deputy Insurance Commissioner, State Auditor's Office, stated her office has heard from many small and medium sized school districts regarding the importance of healthcare; therefore, they are in support of the bill.

Tom Bilodeau, Director of Research & Bargaining, MEA-MFT, provided the Committee with a packet of information covering the various aspects of the bill **EXHIBIT(eds52a01)**. **Mr. Bilodeau** provided a brief history of the bill, including the various

agencies who have reviewed and approved the bill and how it proceeded through the House. He thoroughly explained each section of the bill, relying upon information provided in EXHIBIT 1.

Tom Clinch, CEO, Montana School Services Foundation, submitted written testimony **EXHIBIT (eds52a02)**.

Dick Cameron, Superintendent, Glendive Public Schools, conveyed a story regarding the healthcare insurance history of Glendive Schools. He particularly noted an unanticipated increase of 125% in one renewal period. **Mr. Cameron** emphasized to the Committee, what happened in Glendive could, and probably will, happen everywhere if it has not already. Although he agrees with **Mr. Bilodeau** regarding the limitations of **HB 302**, he believes we must start somewhere. The price of healthcare insurance also effects his ability to recruit new teachers. **Mr. Cameron** explained, given wages for beginning teachers in Glendive, it is unlikely he will be able to recruit teachers once he tells them it will cost nearly \$300 per month for healthcare insurance.

Madalyn Quinlan, Chief of Staff, OPI, conveyed her agency's support of **HB 302**. She stated, over the past two years her office has repeatedly heard testimony regarding challenges presented to school districts due to the rising costs of healthcare insurance. Many districts have found it necessary to choose between health insurance coverage for school employees and their families, pay schedules for school staff, and programs and course offerings for students. She believes every dollars spent on health insurance could have been spent on educational opportunities for students, professional development for teachers, and better pay for employees. **Ms. Quinlan** stated her office believes this proposal will benefit the statewide school system and the state's children. She expressed her appreciation to **MEA-MFT** and to **REP. LEWIS** for bringing the bill forward.

Darrell Rud, Executive Director, SAM, expressed his organization's support for the bill. He provided a brief history of his experience with the issue of health care insurance. He believes **HB 302** is the vehicle for delivering a solution to the crisis already present in Montana. He expressed appreciation to **MEA-MFT** and **REP. LEWIS**, and urged the Committee support the bill.

Mary Bryson, Trustee, Montana City School District #27, conveyed her district's support of **HB 302**, and appreciation to **REP. LEWIS** for bringing the bill forward. **Ms. Bryson** submitted written testimony **EXHIBIT (eds52a03)**. Additionally, **Ms. Bryson** stated her board members are not insurance experts, nor do they wish to

become so. She ran for the board to become more involved in the educational aspects of the school, to have an influence on its' curriculum, and to provide a safe-haven for children in the district. She also wanted to be more involved in her own children's education. This bill will allow her, and others in her position, to focus on education. She urged the Committee to support **HB 302**.

Larry Neilsen, Helena Education Association, conveyed his organization's support for the bill. He noted his organization has been a supporter of the bill since inception, and is pleased that many other similar organizations throughout the state have become supporters. He believes the bill will have a very substantial and positive effect on future events, therefore he urged the Committee's support of the bill. He also expressed appreciation to **REP. LEWIS**.

Lance Melton, Executive Director, MTSBA, noting a slight division in the organization's membership, stated a significant majority have expressed support for a bill of this type. This type of measure is needed to address a real issue faced by members while at the bargaining table, and which detracts away from the focus on education in this community. He stated the keys which make this bill work are its': guarantee against unfunded mandates; protection of local control and collective bargaining; and, that contribution rights are not required to come from any particular source, but will come from some source. **Mr. Melton** stated the amendments offered on this date are crucial to **MTSBA** because they believe the amendments repair a real flaw in the bill by protecting collective bargaining agreements already underway. He reiterated **MTSBA's** support for the bill is predicated upon inclusion of the amendments. He alluded to provider agreements presently being offered to other organizations, noting he believes this same type of agreement should be available under the bill. He also discussed the positive aspects of having a 16,000 member pool. **MTSBA** does have concerns over the governing board's structure because there are no positions for school board trustees. He thinks this is very important due to the place those people hold in their communities. **Mr. Melton** believes this bill will work over time, however, there are numerous issues the bill cannot possibly address; for example, the rising costs of health care services. He also believes it is important to spread relevant start-up costs evenly across the board, including to those districts who choose to join late for whatever reason. Therefore, **MTSBA** suggests a conceptual amendment which indicates a monthly charge for late entrants equal to the amount paid by those join on July 1, 2004. He urged the Committee Do Concur on the bill as amended.

Dave Puyear, Executive Director, MREA, conveyed his organization's strong support for the bill as written. He stated the bill addresses the top three concerns of rural and small schools throughout the state: 1) health insurance costs generally; 2) flexibility and stability within the general fund; and, 3) teacher recruitment. He briefly discussed each concern, noting aspects of the bill which directly effect those concerns. **Mr. Puyear** also conveyed support for the proposed amendments, written and conceptual, noting the importance of those suggestions. He reiterated support for the bill and appreciation to the sponsor.

Tanya Ask, Blue Cross/Blue Shield of Montana, conveyed support for the bill. She stated a pooling concept such as the one in **HB 302** does allow more long-term stability for rates and premiums; stability, however, does not mean rates will decline. For some districts, rates may increase due to the mix of various risk factors. **Ms. Ask** also stated it is very important to address adequate reserves and the long-term commitment of schools.

Jim Edwards, Western States Insurance, Montana Schools Health & Welfare Plan, in absentia, submitted written testimony **EXHIBIT**(eds52a04).

Opponents' Testimony:

{Tape: 2; Side: A; Approx. Time Counter: 23.9 - 31.5}
{Tape: 2; Side: B; Approx. Time Counter: 1.1 - 31.5}
{Tape: 3; Side: A; Approx. Time Counter: 0.3 - 16.6}

Marta York, Chairwoman, Insurance Committee, Missoula County Public Schools, submitted written testimony **EXHIBIT**(eds52a05). **Ms. York** provided an in-depth analysis of how Missoula's insurance plan has remained so successful, and why they do not believe this is an appropriate response to the current crisis.

Joe Potter, Board Member, Insurance Committee, Missoula County Public Schools, submitted written testimony **EXHIBIT**(eds52a06)

Peggy Andersen, Superintendent, Frenchtown School District #14, conveyed her district's opposition to **HB 302**. She explained her district has a self-funded insurance plan with 125 members. Under **HB 302's** plan, insurance costs to her members will increase significantly, and deductibles will double or quadruple even without the vision and dental coverage they currently have. If her district was required to join in 2004, it would mean an increase in insurance premiums of \$130,000. She explained her district realized a three percent (3%) and six percent (6%)

increase in premiums during the past two years respectively; substantially lower than increases projected in **HB 302**. She noted the district has also experienced difficulties. They chose to resolve these problems in a very direct manner, primarily by making members aware of their ownership in the plan. They also reduced some benefits. **Ms. Andersen** requested the Committee, should the bill pass, modify its' mandatory language so districts that have been successful may continue to do so by either opting out or delaying entry. She briefly discussed the present financial position of the district's insurance plan. **Ms. Andersen**, referring to projected budget appropriations, also indicated her district is already looking at cutting services. An additional cost of \$130,000 is not something the district can afford to absorb at this time.

Evan Jordan, Trustee, Frenchtown Schools, conveyed his appreciation to the Committee for their attention to this matter. He stated **HB 302** is not the answer to the present situation. First, although a voluntary plan can serve the needs of rural districts unable to bargain on their own, making the plan mandatory is not appropriate. Second, the cost to his district of this bill in increased premiums, as well as costs to provide current benefits not covered under the bill, is far too great. He believes this is an unfunded mandate. Third, his district's plan has been locally crafted and controlled. All employees in the district cooperate in the management of costs because it has been a local effort, and they take ownership in the program. Finally, he is opposed to local dollars being invested in distant schools with less favorable actuarial positions.

Julie Lake, Trustee, Frenchtown School District #40, stated she joins the former speakers in opposition to **HB 302** and adopts their testimony. She urged the Committee recommend Do Not Concur on the bill.

Gary Griffith, Trustee, Monforton School District, conveyed his district's opposition to the bill. He explained his district is a small K-8 district seven miles outside of Bozeman that has experienced declining enrollments for ten years and is presently fighting staff cuts. The district is covered by **MUST**. He stated there are three main problems they have with the bill: 1) the relinquishment of local control; 2) eligibility; and, 3) reserves. He briefly discussed their present situation with regard to each issue, and how the district would be effected were **HB 302** to become law. He reiterated the district's opposition and urged it not be concurred in.

Alan J. Hall, EBMS, stated his organization is a third party administrator that provides claims payment services to self-

funded benefit plans; a number of which are school districts. He conveyed his organization's opposition to the bill and submitted written testimony **EXHIBIT (eds52a07)**.

Dirk Visser, President & CEO, Intermountain Administrators, stated his organization is an employee benefit management company that provides services to many types of employers, including school districts. His organization is in opposition to **HB 302** because they do not believe the plan can realize its' stated objectives: a) to stabilize rates for school districts; and, b) reduce administrative expenses. Referring to proponent testimony regarding administrative costs, **Mr. Visser** stated he is aware of no district paying fifteen percent (15%) administrative costs. He provided the costs associated with the top three plans in the state, noting each is significantly lower. Thus, the savings the bill purports to ensure are not realistic. Given a pool in excess of \$100 million, he stated, administrative costs should be less than five percent (5%). The second issue **Mr. Visser** addressed was in reference to the premium chart provided by **Mr. Bilodeau** (see, EXHIBIT 1). The projected increase in premiums is fourteen percent (14%) per year; thus, the premiums will double in five years. He stated by **MEA-MFT's** own actuarial study, the plan will not keep rates down. The third issue **Mr. Visser** spoke to is discounts. He explained healthcare is not a commodity like canned vegetables, you cannot reduce costs by buying more. A healthcare provider in Glendive, for example, does not rely upon fees charged in Darby to determine their fees. He briefly described the present situation in Montana with regard to Preferred Provider Organizations (PPOs), noting this type of arrangement is most effective in markets with sufficient competition; not the case for most areas in the state. Accordingly, the plan's suggested savings from discounts is once again a rather erroneous projection. Based on these three examples, **Mr. Visser** urged the Committee recommend Do Not Concur on **HB 302**.

George Estell, EBMS, stated his support for the excellent testimony in opposition provided by previous speakers. He stated the study done by **MEA-MFT** did not include the nearly 4,000 employees covered by his organization; nearly one-fourth of the projected total enrollment. He is also concerned with the percentages used with regard to enrollment for each plan: eighty percent (80%) on the standard plan, and twenty percent (20%) on the basic plan. Since all schools were not actually included in the study, the actuarial study is based on insufficient data. With regard to the issue of direct costs to a district, of the sixteen districts covered by his organization (4,000 lives), thirteen will realize higher premiums, three will realize reductions. He stated 3,900 employees will be paying \$3.3

million more under the plan's projected premiums; rates, testimony has stated, which may be too low.

Roger Cowan, Intermountain Administrators, conveyed his concurrence with previous speakers in opposition. He stated there is no argument with regard to the crisis in healthcare insurance in Montana. He provided an analogy of the legislature mandating the purchase of school buses based on incomplete, inaccurate data, and said this legislation is very much the same. **Mr. Cowan** expressed his appreciation to the Committee.

Informational Testimony:

{Tape: 3; Side: A; Approx. Time Counter: 16.9 - 30.3}

John Jones, Executive Director, Managed Care, Deaconess Billings Clinic, submitted written testimony **EXHIBIT**(eds52a08). **Mr. Jones** also provided the Committee with proposed amendments **EXHIBIT**(eds52a09).

Questions from Committee Members and Responses:

{Tape: 3; Side: B; Approx. Time Counter: 2.3 - 31}

{Tape: 4; Side: A; Approx. Time Counter: 0.3 - 31.5}

{Tape: 4; Side: B; Approx. Time Counter: 1.3 - 7.0}

SENATOR TOM ZOOK expressed his appreciation to **Ms. York** for her preparedness and testimony. He inquired whether she thought the bill was salvageable. **Ms. York** replied in the negative. She explained the primary reason is because the bill is based on local bargaining. She believes many districts who sought assistance from **MEA-MFT** were hoping to see a plan such as the one offered to state employees. She outlined various aspects of the state plan which are in contradistinction to the plan contained in **HB 302**. **SEN. ZOOK**, referring to **Ms. York's** testimony regarding the level of expertise necessary to manage a plan such as the one being proposed, inquired whether the plan contains a mechanism for acquiring such expertise. **Ms. York** replied in the affirmative, noting there are three levels of administration in the plan. She expanded on her own experience in Missoula. **SEN. ZOOK** inquired about the level of reserves currently held by the Missoula schools' plan. **Ms. York** stated her group has been working on building reserves since 1994. They presently reserve approximately forty-five percent (45%) of claims paid for healthcare, and twenty-five percent (25%) for dental. The plan has reserves in the amount of \$2.8 million, and an operating cash balance of approximately \$300,000. She also explained the short

and long-term effects of mandating a change from their plan to the one proposed; for example, increased utilization.

SENATOR JERRY BLACK, conceding any statewide plan will probably not be as attractive as Missoula's plan, asked if **Ms. York** would be opposed to any proposed statewide plan. **Ms. York** replied in the negative, stating she was on the board of **MUST** for fourteen years and continues to believe in some of their goals. She stated she is opposed to this plan because it has inherent flaws that cannot be remedied. **SEN. BLACK**, alluding to the vast nature of the problem, stated his surprise that many districts have not adopted a plan such as the one operating in Missoula given its' successful track record. **Ms. York** responded by stating if a pool such as the one being proposed could be successful, it would have already been offered by a company such as Blue Cross/Blue Shield; this indicates it is not possible. She expressed her admiration for the work done on completing the proposal, however, that does not mean she thinks the plan is viable. With regard to Missoula's plan specifically, they have been very fortunate to retain a solid group of people on the insurance committee for an average of nine years per member. Rapidly changing staff and insurance issues lends to uncertainty, Missoula has not had to suffer under that type of burden. Additionally, she believes each member has a sense of ownership in the plan.

SENATOR DON RYAN, referring to page two of **Mr. Bilodeau's** hand-out (see, EXHIBIT 1), asked for an expanded explanation regarding the numbers quoted. **Mr. Bilodeau** replied there are 20,800 full-time employees (FTE). The number of classified employees (8,000) is an estimate because there is no agency which collects this information. **SEN. RYAN** inquired where retirees fit in the quoted numbers. **Mr. Bilodeau** replied FTE numbers do not include retirees. **SEN. RYAN**, referring to testimony regarding projected premium increases for 3,900 people, asked where those people fit into the quoted figures. **Mr. Bilodeau** replied those individuals were not a part of this information, they are a part of the missing seventeen percent (17%). **SEN. RYAN**, referring to **Mr. Bilodeau's** testimony regarding a district's being able to delay entry into the plan due to a contractual obligation, asked about the possibility of district having a contract which ended six months before the start of the plan. He also asked **Mr. Bilodeau** to address concerns about increased utilization. **Mr. Bilodeau** replied his organization does not believe there will be any problem because most plans will extend coverage for a short time, and most school plans begin July 1. For districts having multi-year agreements, the plan allows delay of entry into the plan.

SEN. RYAN, referring to testimony regarding the proposed "basic" and "standard" plans, asked **Mr. Bilodeau** to address concerns

raised about adverse selection and so forth. **Mr. Bilodeau** replied in **MEA-MFT's** discussions with **eBenX** it was determined up to an additional two percent (2%) would be necessary to cover costs associated with people who shift between plans. There is also an additional two percent (2%) cost associated with persons who waive coverage. He explained the plan's provision which allows a person to change between basic and standard was at the request of teachers throughout the state. **SEN. RYAN** asked why **MEA-MFT** chose an eighty/twenty split for their analysis. **Mr. Bilodeau** responded the decision was made based on **eBenX's** review of current plans available. **SEN. RYAN**, referring to testimony regarding the maximum premium of \$824.00 for a family plan, asked if the figure was correct. **Mr. Bilodeau** replied in the affirmative, explaining briefly the assumptions upon which the projection relied. **SEN. RYAN**, noting **Mr. Bilodeau's** response and the projected increases of fourteen percent (14%) per year, asked if premiums will be \$1,600 in five years. **Mr. Bilodeau** replied in the affirmative, noting this will also be true under current circumstances. He gave several examples of rate increases over the past five years. **SEN. RYAN** inquired if Missoula, for example, were allowed to opt-out would the projected premium cost change substantially for the remainder of the pool. **Mr. Bilodeau** replied if Missoula were the only district, there would be a minimal impact. However, he does not believe the opt-out choice can be limited to Missoula.

SEN. RYAN, conveying his support for the bill, asked **REP. LEWIS** about new money being placed into the plan. **REP. LEWIS** stated he is in opposition to increasing taxes to make the plan whole. **SEN. RYAN** asked **REP. LEWIS** to speak to the possibility of placing money in a flex-account. **REP. LEWIS** referred to **HB 2's** status, noting there may be some options available but he was not certain. **SEN. RYAN**, referring to **SB 323**, asked if districts will have to pay healthcare costs from federal dollars. **REP. LEWIS** replied it is his understanding the issue arising from federal dollars was in regard to retirement costs.

SENATOR BOB STORY, referring to **Ms. York's** testimony regarding the viability of the plan, asked why Blue Cross/Blue Shield would try to pool together all school employees if no other company was doing so; because, realistically, it is more profitable for Blue Cross to sell plans to smaller groups. **Ms. York** stated **SEN. STORY** made her exact point: if Blue Cross/Blue Shield could have pooled together this group under a profitable plan, they would have done so. **SEN. STORY**, rephrasing his question, asked what incentive exists in Montana for Blue Cross/Blue Shield to pool the entire group when they can make more profit pooling smaller groups. **Ms. York** replied she believes there is no incentive.

SEN. STORY, referring to opposition testimony regarding costs associated with failure of the plan, asked if **Mr. Bilodeau's** assertion that state taxpayers would eventually be responsible were correct. **Mr. Bilodeau** indicated **MEA-MFT** believes the plan will be adequately funded, and, thus, will not fail. If the unanticipated were to happen, individual districts are responsible for paying claims.

SEN. STORY, referring to the school bus analogy and testimony regarding the constitutionality of mandating this proposal, asked **Mr. Melton** to address the legal issue. **Mr. Melton** stated he did not see there to be any issue. The legislature regulates various areas; for example, minimum and prevailing wages. The legislature also has the prerogative to impose requirements for the public good. **Mr. Melton** indicated, arguably, "tenure" could be seen as unconstitutional, however, he believes the argument would be incorrect.

SEN. STORY asked **Mr. Hall** about the administrative fees charged by his organization. **Mr. Hall** replied, to the best of his knowledge, it is approximately one-half of the figure quoted by **MEA-MFT**. **Mr. Hall** indicated he would prefer to defer to **Mr. Estell** for rates specific to school districts. **SEN. STORY** redirected his question to **Mr. Estell**. **Mr. Estell** replied, for the group of school districts currently administered through his organization, the rate is 3.85%.

SEN. STORY, referring to the history of **MUST**, asked **Mr. Clinch** why he thought a state-wide pool, managed by all new people, would be more successful than **MUST** has been. **Mr. Clinch** indicated he did not believe the experience of the administrators is necessarily the most important component. **HB 302** departs from the pool created by **MUST** in one very important area: it is a mandatory pool. **SEN. STORY** asked if the **MUST** pool had all members in the same pool, at the same rates. **Mr. Clinch** replied in the affirmative.

SENATOR ROYAL JOHNSON asked **Mr. Bilodeau** when he became involved in the proposal before the Committee. **Mr. Bilodeau** responded, 1997. He provided a brief history of the plan. **SEN. JOHNSON** asked, more particularly, when did he become involved in this legislation. **Mr. Bilodeau** replied **MEA-MFT** began the present efforts in the spring of 2002. He provided an in-depth, step-by-step outline of the efforts up to the presentation in the House. **SEN. JOHNSON**, referring to **Mr. Bilodeau's** response, asked if he felt the mix of individuals contributing to the process was adequate and representative of the various interests across the state. **Mr. Bilodeau** responded by explaining how individuals were

contacted, noting they could not mandate all parties be involved. A brief discussion regarding proposed amendments occurred. **SEN. JOHNSON** asked who funded the studies completed by **eBenX** and the discussion meetings. **Mr. Bilodeau** replied **MEA-MFT**. **SEN. JOHNSON** asked **Mr. Bilodeau** about the \$1.2 million startup costs requested by the bill. **Mr. Bilodeau** outlined the steps necessary to bring the plan completely into operation. **SEN. JOHNSON** asked for the date his organization would be requesting the \$18 million. **Mr. Bilodeau** replied July 1, 2003. If the plan cannot demonstrate viability by that date, there would be no reason to seek the loan. However, the line of credit will not be made available to the plan until July 1, 2004.

SEN. JOHNSON asked **Ms. York** if Missoula's plan went through approximately the same steps being suggested by **MEA-MFT**. **Ms. York** replied in the affirmative, briefly explaining the history of Missoula's plan. **SEN. JOHNSON** inquired whether she thought the Missoula plan could work elsewhere. **Ms. York** replied in the affirmative, noting it has been their long-term goal to incorporate surrounding schools once the plan became fully funded. She also explained the processes they have followed with regard to premiums and reserves, and the unique demographics of Missoula. **SEN. JOHNSON** requested **Ms. York** provide the Committee with a copy of Missoula's plan for informational purposes. **Ms. York** replied in the affirmative.

SEN. BLACK, referring to **Ms. York's** testimony regarding increases in premiums, asked if the increase would be \$1.8 million per year. **Ms. York** replied the average increase would be \$80.00 per month for the standard plan. Increases to ensure Missoula's members retain present benefits would impose additional costs.

Closing by Sponsor:

{Tape: 4; Side: B; Approx. Time Counter: 7.2 - 12.3}

REP. LEWIS expressed appreciation to the Committee and participants for a very good hearing. He noted this is a very complicated issue, and reiterated testimony regarding the viability of large pools. He emphasized the reasons for the present crisis and requested the Committee take a futuristic approach in making this decision.

ADJOURNMENT

Adjournment: 6:45 P.M.

SEN. BILL GLASER, Chairman

TARI ELAM, Secretary

BG/TE

EXHIBIT (eds52aad)